

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SAB-02 CIAE-00 DODE-00 PM-04 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 IO-13 DHA-02 /073 W  
-----040550Z 010114 /21

R 032045Z MAR 77  
FM AMEMBASSY SANTIAGO  
TO SECSTATE WASHDC 3688  
INFO AMEMBASSY PANAMA

C O N F I D E N T I A L SANTIAGO 1737

EO 11652: GDS  
TAGS: PFOR, OAS, PN, CI  
SUBJ: PANAMA CANAL NEGOTIATIONS AND US-CHILEAN RELATIONS

REF: STATE 27594

1. SUMMARY: THE FOREIGN MINISTRY TELLS US THAT CHILE HAS SUPPORTED THE US POSITION ON THE PANAMA CANAL BEHIND THE SCENES, AND AS A RESULT IS BEING BLACKMAILED BY PANAMA IN THE OAS. THE CHILEANS ASK FOR A QUID PRO QUO, OR SOME US RECOGNITION OF THEIR LOYALTY. END SUMMARY.

2. CHILEAN SUMMER VACATIONS OVER, EMBOFF MARCH 3 WAS ABLE TO BRIEF FONMINISTRY DIRECTOR INTERNATIONAL (POLITICAL) AFFAIRS PABLO VALDES AND CHIEF NORTH AMERICAN AFFAIRS EUGENIO CADIZ ON STATUS OF PANAMA CANAL NEGOTIATIONS (REFTEL). OBVIOUSLY INSTRUCTED, VALDES SAID THE BRIEFING HAD COME AT A PROPITIOUS TIME. HE RECOUNTED THAT PANAMANIAN AMBASSADOR TO UN JORGE ILLUEGAS HAD VISITED CHILE IN JANUARY TO SEEK A LETTER FROM PRESIDENT PINOCHET TO THEM PRESIDENT-ELECT CARTER IN SUPPORT OF THE PANAMANIAN POSITIN. FONMINISTRY DID NOT LIKE THE IDEA AND PUT ILLUEGAS OFF BY POINTING OUT IT WAS NOT PRACTICAL TO GET A MESSAGE TO PINOCHET, WHO WAS IN ANTARCTICA.

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3. ON PINOCHET'S RETURN, FONMINISTER CARVAJAL WROTE FONMINISTER BOYD. VALDES READ TO EMBOFF LETTER OF FEBRUARY 3, POLITELY WORDED, EMPHASIZING CHILEAN DESIRE THAT FULL SOVEREIGNTY OVER CANAL BE RETURNED TO PANAMA AS SOON AS PRACTICAL. CARVAJAL HOPED FOR EARLY BILATERAL NEGOTIATION OF AN AGREEMENT THAT WOULD BE ACCEPTABLE TO BOTH

COUNTRIES. VALDES COMMENTED THAT THIS LETTER WAS COMPATIBLE WITH THE US POSITION, AND THAT THE MINISTRY FULLY AGREED OUTSIDE PRESSURE ON PANAMA AND THE US WOULD BE COUNTERPRODUCTIVE (PARA 11, REFTEL). CHILE WANTS TO KEEP CANAL OPEN, BUT ALSO TO MAINTAIN GOOD RELATIONS WITH BOTH INTERESTED PARTIES.

4. VALDES CONTINUED THAT THE MINISTRY HAD JUST RECEIVED A REPORT FROM THEIR OAS AMBASSADOR ON THE VOTE ON KEEPING HUMAN RIGHTS IN CHILE AS A SEPARATE AGENDA ITEM AT THE NEXT OAS GENERAL ASSEMBLY. PANAMA HAD JOINED VENEZUELA ("AND OTHERS"--I.E., THE US) IN VOTING AGAINST CHILE. THE PANAMIAN AMBASSADOR TOLD HIS CHILEAN COLLEAGUE THAT HIS VOTE RESULTED FROM CHILE'S REFUSAL TO JOIN OTHER LAS IN SUPPORTING PANAMA.

5. VALDES SAID THAT HE HOPED GOC POLICY ON THE CANAL WOULD REMAIN AS WELL FOUNDED AS IT WAS, BUT WITH PANAMA'S INVOCATION OF A MORE SPECIFIC CHILEAN INTEREST THE MINISTRY WOULD HAVE TO TAKE ANOTHER LOOK. IT WAS CLEAR FROM THE CHILEANS' COMMENTS THAT THE US WOULD BE EXPECTED TO OFFER A QUID PRO QUO, OR SOME RECOGNITION OF CHILEAN LOYALTY ON THE CANAL QUESTION, IN ORDER TO PREVENT A CHILEAN GESTURE TO PANAMA.

6. COMMENT: VALDES WAS EMBARRASSED IN SEEKING TO BARGAIN A POSITION ON THE CANAL THAT IS IN CHILE'S INTEREST. (VALDES TOLD AMBASSADOR AT SOCIAL FUNCTION HE WAS SURE THAT AS SOON AS PANAMA TOOK OVER CANAL, TOLLS WOULD  
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BE DRASTICALLY INCREASED.) THE CHILEAN PLOY POINTS UP THE LINKAGE MADE BY THE GOC BETWEEN THE VARIOUS SUBJECT OF INTEREST TO THE TWO COUNTRIES, INCLUDING BY IMPLICATION HUMAN RIGHTS.

7 WE DOUBT WE CAN OR SHOULD REWARD CHILE'S "LOYALTY." IT MAY BE THAT IF WE DO NOTHING, GOC WILL NEVER FOLLOW UP ITS INEPT APPROACH.  
POPPER

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## Message Attributes

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**Review Markings:**  
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